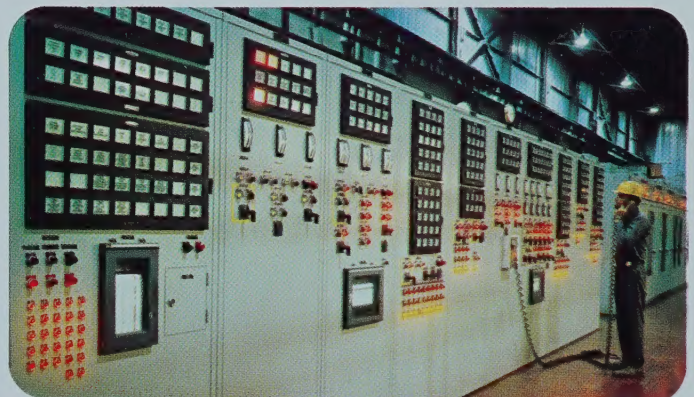


AR79

CANADIAN GENERAL ELECTRIC

1971 Annual Report



CANADIAN GENERAL ELECTRIC COMPANY LIMITED

Directors

J. Alexandre Béland, *Louiseville, Que.*
 Robert V. Corning, *Cleveland, Ohio*
 Paul Desruisseaux, *Q.C., Montreal, Que.*
 Oscar L. Dunn, *New York, N.Y.*
 Stanley C. Gault, *Louisville, Ky.*
 Harold M. Griffith, *Toronto, Ont.*
 William F. McLean, *Toronto, Ont.*
 MacKenzie McMurray, *Montreal, Que.*
 Sigurd D. Medhus, *Toronto, Ont.*
 Maxwell C. G. Meighen, *Toronto, Ont.*
 Halbert B. Miller, *New York, N.Y.*
 J. Herbert Smith, *Toronto, Ont.*
 Alan G. Trites, *Toronto, Ont.*
 Paul E. Wallendorf, *New York, N.Y.*
 Walter G. Ward, *Toronto, Ont.*

Officers

Chairman of the Board and Chief Executive Officer

J. Herbert Smith

President

Walter G. Ward

Vice Presidents

Stanley R. Adamson
 William R. C. Blundell
 Alton S. Cartwright
 L. Robert Douglas
 Max Drouin
 Robert N. Fournier
 Archibald F. Johnston
 Sigurd D. Medhus (*Finance*)
 Albert R. Nobbs
 Reginald D. Richardson
 Ronald M. Robinson
 William D. Rooney
 Robert Story

Commercial Vice President

W. Frank Wansbrough

Secretary

Alan G. Trites

Assistant Secretaries

Ivan H. Ashbury
 Ivan A. Grantham
 Carl B. Haller
 George W. Harrigan
 V. Gerold Staff

Treasurer

Sigurd D. Medhus

Auditors

Peat, Marwick, Mitchell & Co., Toronto, Ont.

Transfer Agent and Registrar

National Trust Company, Limited, Toronto, Ont.

The Company's product businesses

Apparatus and Heavy Machinery Business Division

The departments in this division design, manufacture and market the "custom-built" heavy apparatus for electric utilities and primary industries – turbines, generators, switchgear, transformers, motors, process control, paper machines and other heavy machinery and components. Other products include power cranes and shovels, transportation equipment, small motors, lightning arresters, meters, instruments and specialty transformers.

Construction and Industry Supplies Business Division

This division manufactures electric distribution equipment and devices for all types of building construction, wire and cable, electric furnaces and heating devices and lighting equipment. It markets broadcast equipment, mobile radio, aerospace products and computer time-sharing services. Nuclear reactor fuel handling systems, heavy water for nuclear reactors, cemented carbide tools, plastics, synthetic resins and silicones are the responsibility of this division.

Consumer Products Business Division

Personal comfort, convenience and enjoyment are offered through the medium of the products of this division – television, radio, stereo, kitchen and laundry appliances, and portable electric housewares in wide variety. It manufactures lamps for every type of industrial, commercial and domestic application. Commercial cooking equipment and room air conditioners are among its other product lines.

Canadian General Electric's sales by major categories

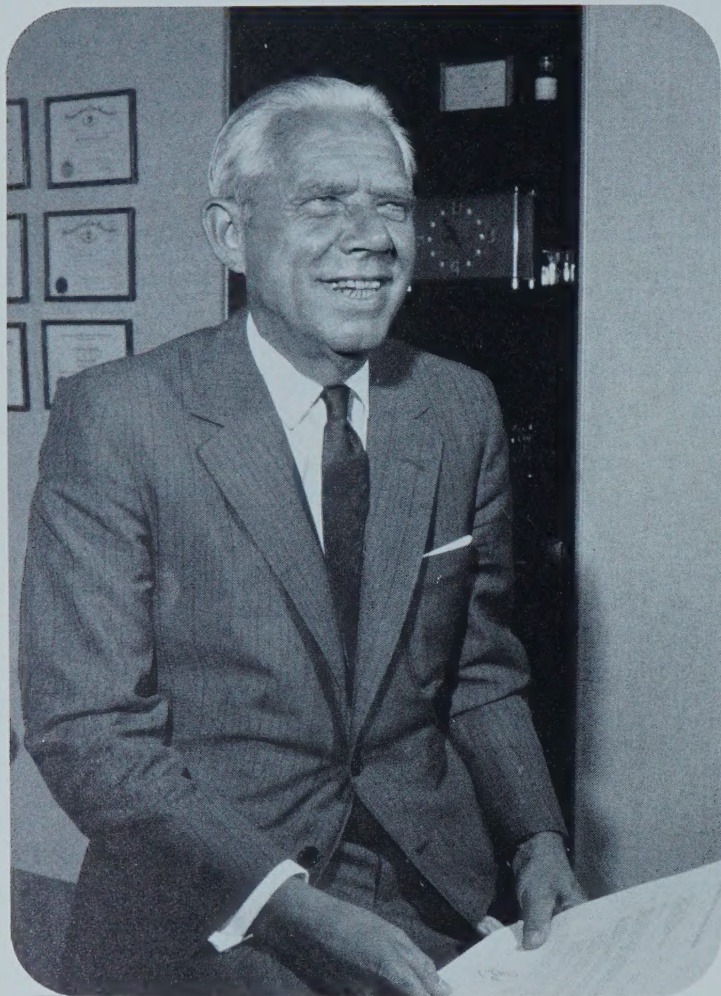
	1971	1970
	(In thousands)	
Apparatus and Heavy Machinery . .	\$206 934	\$217 280
Construction and Industry Supplies	204 019	197 353
Consumer Products	124 420	112 417
Corporate elimination and unallocated items	(39 618)	(37 058)
	<u>\$495 755</u>	<u>\$489 992</u>

HIGHLIGHTS OF OPERATIONS

	1971	1970
Financial		
(Dollar amounts in millions; per-share amounts in dollars)		
Sales of products and services	\$495.8	\$490.0
Net earnings	14.5	12.2
Earnings as a percentage of sales	2.9 %	2.5 %
Net earnings per share (a)	\$1.77	\$1.49
Dividends declared per share:		
Common	1.00	1.00
Cumulative convertible preferred	1.25	1.25
Plant and equipment additions	16.7	18.3
Statistical		
Average number of employees	17 950	19 789
Number of shareholders of common and convertible preferred	1 476	1 388
Common shares outstanding at year end	7 559 098	7 559 092

(a) Assuming all cumulative convertible preferred shares converted to common shares.

Chairman's comments



Sales by Canadian General Electric and its wholly owned subsidiary companies were \$495.8 million in 1971, about the same as in the previous two years.

Net earnings in 1971 were \$14.5 million, an improvement of 18% over 1970. These represented 2.9 cents on the sales dollar (2.5 cents—1970). Assuming all convertible preferred shares were converted to common shares, net earnings per share were \$1.77 in 1971 compared with \$1.49 in 1970.

This earnings performance was largely the result of increased sales of consumer products and the discontinuance in 1970 of the manufacture of electronic components which had been made unprofitable due to foreign competition. The earnings picture also reflected the results of strong cost control measures together with a reduced level of borrowings and interest costs.

Capital expenditures totalled \$16.7 million during 1971. Company employment stood at 17,807 at year end, a decrease of 3% for the 12-month period.

The Company's sales efforts are directed toward three main markets, involving consumer products, construction

and industrial materials, and apparatus and heavy machinery. These markets were affected by the mixed trends in the economy during the year.

Sales of consumer products, particularly in the last half of the year, rebounded sharply from a disappointing performance in 1970. In the home entertainment field, this trend gained added impetus with the removal by the Federal Government of the 15% excise tax on consumer electronic products. Removal of this long-standing and discriminatory tax reduced the price of a television set at the retail level by about 10%.

In the construction market, residential activity was very strong, but less strength was evident in the commercial and industrial sectors.

In heavy capital goods, there was a continuing good level of production for utility customers, but industrial decision-makers were quite evidently hesitant in making buying commitments for a number of postponable expansion projects. At Dominion Engineering Works, there was moderate to good activity in hydraulic turbines and metal rolling and mining equipment, but this was offset to a significant degree by a very low level of demand for paper machinery brought about by depressed conditions in that industry.

An event of international significance was the start-up of the KANUPP reactor in Pakistan, the first Canadian overseas nuclear power station to go into operation. The Company was the prime contractor on the station, responsible for its design, supply, construction and commissioning.

As a believer in international fair trading practices, the Company was a prime participant in 1970 in successfully obtaining a ruling by the Federal Anti-dumping Tribunal against foreign manufacturers of power transformers. In 1971, favourable anti-dumping decisions were rendered on television receivers from Japan and Taiwan and electric can openers from Japan. The Company will continue to be alert to unfair and destructive trading practices, and will not hesitate, alone or in concert with others in the Canadian industry, to lay complaints when these are justified.

The Canadian electrical manufacturing industry is highly competent and competitive, and certainly capable of competing in foreign markets. However, the foreign markets of most industrialized nations are to a large extent denied to the Canadian manufacturer by rigidly enforced import restrictions, preference purchasing by foreign government utilities, and other non-tariff barriers.

Over the past few years, there has been increasing public discussion about the role and future of subsidiary companies in the Canadian environment. The Company is participating in this discussion in an effort to contribute to a better understanding of the role of a U.S. subsidiary within the context of maintaining Canadian independence and economic growth.

Too often in such debates, certain basic factors are overlooked. One of these is the very large contributions such a Company as Canadian General Electric makes to the nation's economy. During the decade ending in 1970, for example, the Company contributed \$3.25 billion to the economy in the form of Canadian purchases, wages and salaries, taxes, and research and development expenditures.

It is significant to note that, during that same period, the total of all payments to the General Electric Company for research and development, royalties, patents, know-how, and all dividends on stock ownership totalled just \$89 million, or less than 3% of the contribution the Company made to Canadian growth.

During 1971, a Company-wide program called "United for Progress" was conducted, calling for, and receiving, the enthusiastic support of all employees in a united effort to improve costs and service. This was immensely productive, and the Directors have asked me to express their appreciation to all who contributed to the program's success.

The Company enters 1972 with the Canadian economy in a condition of greater uncertainty than has prevailed for some years, although a continuation of the current moderate growth rate is seen for at least the first half of 1972.

In mid-1972, the Company will mark its 80th anniversary, confident and well-prepared to contribute the full strengths of its facilities, technologies and skills to support Canada in the years ahead.

On behalf of the Board of Directors,

Hubert Smith

Chairman of the Board and Chief Executive Officer

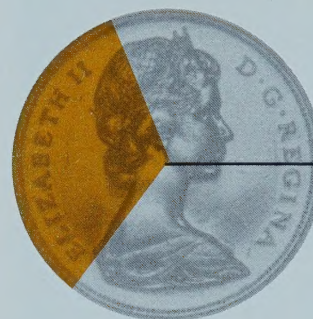
Toronto, March 2, 1972.

How the 1971 income dollar was distributed



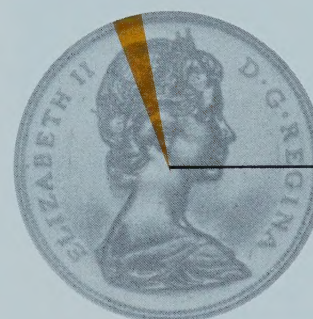
60.5 ¢

Materials, supplies,
services, and other costs



33.6 ¢

Employee compensation
(including benefits)



3.0 ¢

Income and property
taxes



1.7 ¢

Dividends



1.2 ¢

Reinvestment

Apparatus and Heavy Machinery Business Division

The Division's year was highlighted by continued progress on a number of major projects, both in Canada and abroad, a distinct upsurge in export volume, and the formation of new organization components to provide better service to each major market.

Outstanding among major CGE projects is the world's first solid state high voltage direct current (HVDC) terminal at Eel River, New Brunswick. The bridge structures and the three 110,000 kvar synchronous condensers were tested successfully in the Peterborough plant. Due to go into operation in mid-1972, the project is on schedule.

Equipment supplied Eel River by the Guelph plant included 13-33/55 mva single-phase converter transformers, three DC smoothing reactors (the first ever built in Canada) and lightning arresters for various applications. This plant also supplied converter transformers for the DC tie between the B.C. mainland and Vancouver Island.

At Churchill Falls, the giant power project supplied by the Churchill Falls (Machinery) Consortium consisting of Canadian General Electric Company Limited, Dominion Engineering Works Limited, and Marine Industries Limited, the most powerful hydro-generator unit ever placed in operation in North America was started up. Consisting of a 648,000 HP Dominion turbine connected to a 475,000 kw CGE generator it was the first of five such units to be supplied from our Lachine and Peterborough plants. Excitation for the five units will be supplied from static excitation systems built in our Peterborough plant.

Operator's pulpit for Algoma Steel Corporation's fully-automatic 166-inch plate mill in Sault Ste. Marie.



Runner for one of the 648,000 HP Francis turbines built by Dominion Engineering Works for the Churchill Falls project.

The heart of the control system for each unit is the Peterborough-designed-and-built Unit Control Boards. These boards not only provide complete control capability for the generators, turbines and governors, they will also anticipate potential trouble, advise the operator of the condition and, if not corrected, take action to prevent possible damage to the machines being monitored.

The nine 333 mva single-phase auto-transformers to be supplied for the project by Guelph plant are the largest kva units at 735 kilovolts built to date in Canada.

The CGE-Dominion Engineering Works 166-inch plate mill, built for Algoma Steel Corporation, went into commercial production in September, 1971. In addition to the DEW roughing and finishing mills, it features Peterborough-built main drive motors of advanced design and a GEPAC process control computer, the most advanced of its kind in North America.

Another 1971 'first' is the Dominion Engineering Works 'Papriformer', a revolutionary new paper former supplied to the Kruger Paper Company, Bromptonville, Quebec.

Important domestic orders received during the year included one for six 268,000 HP Francis turbines for the

Quebec Hydro-Electric Commission's Manicouagan 3 Project and one for a quick roll change mechanism of entirely new design for Dofasco's 7-stand hot mill.

Significant international projects included Brazil's Furnas hydro-electric installation and Botswana's multi-million dollar mining complex. The Peterborough plant is supplying two 160 mva generators, relaying control and ancillary equipment for the former and, with the Scarborough plant, four 15-megawatt turbine generators and their associated excitation systems for the Botswana project. During the year a letter of intent was received from Centras Electricas de Goias S.A., Brazil, covering three 112,000 HP Francis turbines for their Cachoeira Dourada project. These are to be built in conjunction with General Electric S.A., Campinas.

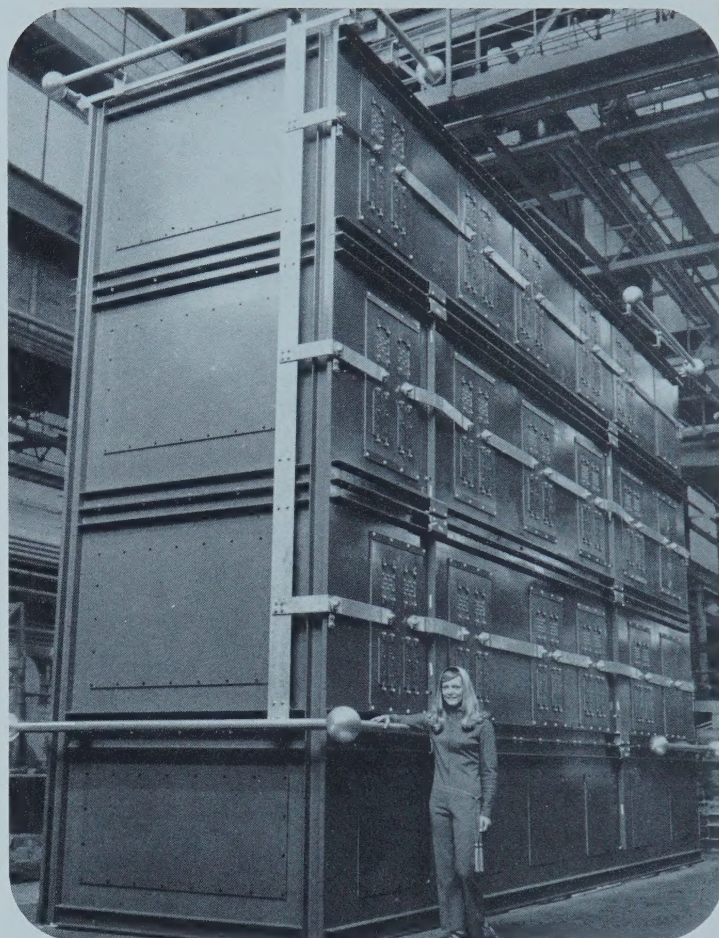
Peterborough-built locomotive propulsion systems continued to be supplied for use in Nigeria, Malawi, Yugoslavia and Mexico, as well as in Varanasi, India.

Further contributing to a rise in CGE export trade volume was the supplying to New Zealand pulp and paper mills of paper machine drives and other electrical equipment.

One-third of CGE's 1971 total sales of watthour meters, telephone receiver magnets, and appliance controls, went from the Quebec plant to various export markets. These included the U.S., the U.K., Caribbean and Central American countries, Australia, New Zealand, South Africa and Greece.

Reorganization in 1971 to meet customer and market needs involved formation of the following new units: (1) A new Apparatus Service Section, consolidating all post-shipment activities for apparatus-type products and systems; (2) A new Drive Systems Product Section to serve metal rolling, mining, pulp and paper industries; (3) A new Transportation Equipments Product Section, to cover the domes-

A 3000 HP motor leaves the apparatus service shop in Sept-Iles, Quebec, following complete rewind and overhaul.



The HVDC valve for the Eel River project is the first to be manufactured in the world for a solid state HVDC terminal.

tic and export markets for electric propulsion equipment; and (4) Three new market-oriented sections of Dominion Engineering Works to serve the metal and mining, pulp and paper, and power generation industries. Following up on these developments will be an expansion of Service Shop operations throughout Canada. Facilities have already been provided at shops in Sept-Iles, Quebec, Montreal and Vancouver for the repair and overhaul of motorized wheels used in off-highway vehicles and open-pit mining.

Additional production facilities going into operation during the year were a machining facility for processing cast aluminum and iron frames for induction motors, ten new pieces of equipment installed in the Small Motors Product Section, production facilities at Scarborough and Peterborough to produce motors and generators for locomotives.

The Division's \$1,000,000 major environmental control project concluded with completion of the new plating and liquid waste treatment facility at the Peterborough plant.

Construction and Industry Supplies Business Division

Important news for the Company's Nuclear Products Department was the successful achievement of criticality last August by KANUPP, the 125,000 Kwe nuclear power generating station in Karachi, Pakistan. It rapidly progressed to net power generation. The final performance tests and hand-over of the station are scheduled for mid-1972.

Ontario Hydro's Pickering Nuclear Power Generating Station Units 1 and 2 also reached criticality in 1971, with the former setting an impressive record of power generation. Fuel used is supplied by the Nuclear Products Department.

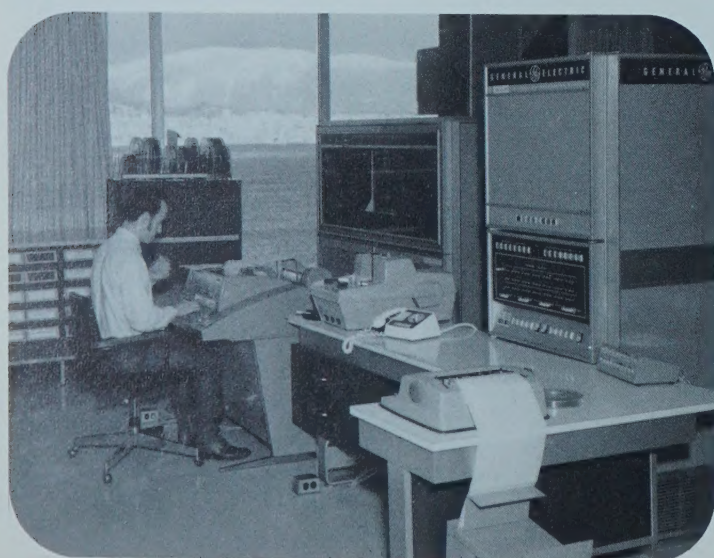
During the year contracts were obtained from Ontario Hydro for the supply of the fuel-handling system for the 3,000,000 Kwe Bruce Nuclear Power Generating Station, Lake Huron.

Heavy Water plant production was carried out at a reduced rate during the second half of the year. Equipment modifications and installation of large 2,000,000 gallon capacity clarifier, completed in October and November, are expected to enable the plant to achieve design output early in 1972.

Marine and industrial jet engines used to drive compressors in gas pipe lines are new products introduced by the Aerospace Product Section early in 1971. Manufacturers of gas line compressor equipment now include these engines in equipment packages sold to Canadian gas pipe line companies.

Royce plant in Toronto began supplying air traffic control transmitters and receivers to the Ministry of Transport, Ottawa, during 1971. Limited quantities of transmitters were also supplied to the export market. In addition, repair and overhaul of fire control and ground

Computer Time-Sharing centre in Vancouver serves a broad spectrum of businesses in western Canada.



The new Vulkene Urethane trailing cable feeds power to an electric shovel at an open pit mine in Ontario.

radar equipment continued under contract to the Department of National Defence. A new contract for repair and overhaul of communications equipment was also added.

A new line of Vulkene Urethane trailing cables, suitable for open pit mining operation at up to 15 kilovolts, was introduced in 1971 by the Construction Products Department. Providing size and weight reductions of up to 60%, these cables are designed to carry reliable power to electrical equipment operating at temperatures as low as -85°F .

Lexan resin continued to play a prominent role in the manufacture of snowmobile parts. All major Canadian snowmobile manufacturers now use this thermoplastics material for windshields and other parts. During the year, orders for \$2,000,000 worth of Lexan accessories were received from the Bombardier Company, as well as a \$100,000 order from Moto-Ski for vacuum-formed Lexan snowmobile shrouds and engine covers. In filling this order, it was found both technically and economically possible to vacuum-form parts from Lexan sheet for small and medium production runs.

A unique development during 1971 was the application of Lexan in molding the rugged Patterson Hockey Helmet for younger players. Designed by Charlie Patterson, Canada's foremost authority on protective sports equipment, the helmet is being made by the Plastics Product Section, Cobourg, and distributed at cost as part of a unique safety program in co-operation with the Canadian Amateur Hockey Association.

New processes developed during the year included a Lexan sheet extruder at Port Union to produce high quality clear sheet for snowmobile windshields and 'unbreakable'

window glazing. This is the first time such sheet has been made in Canada. Another innovation was a process to coat Carboloy tool inserts with a thin layer of titanium carbide to extend their wear life.

The Carboloy tool manufacturing facility was moved to a new 12,000-square-foot location in the Royce plant to meet the growing demand for tungsten carbide products. Sintering capacity increased 50%, and preparation was made to increase powder processing capacity 200%.

Continued growth was experienced during 1971 by the Commercial Communications business. A \$3.2 million order for a sophisticated radio and computer system for the dispatch and control of police cars was received from the Metropolitan Toronto Police Department. Orders were also received from the RCMP and the Ministry of Transport, the latter for communications systems for use between lighthouses, and for promoting safety on Canadian waterways and coastal waters.

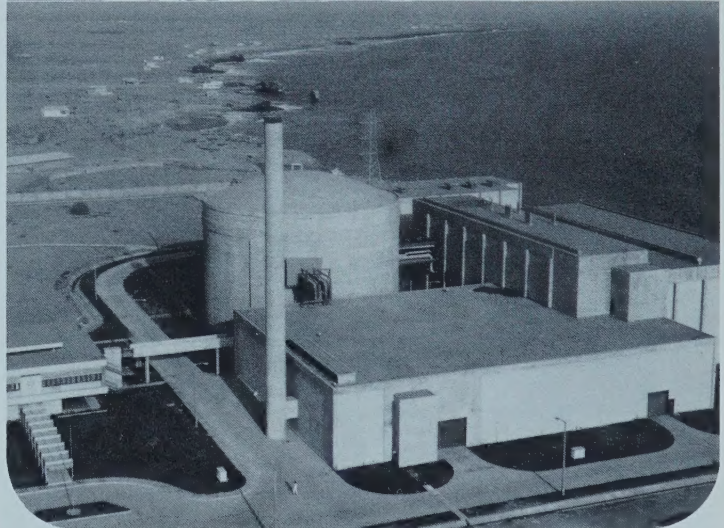
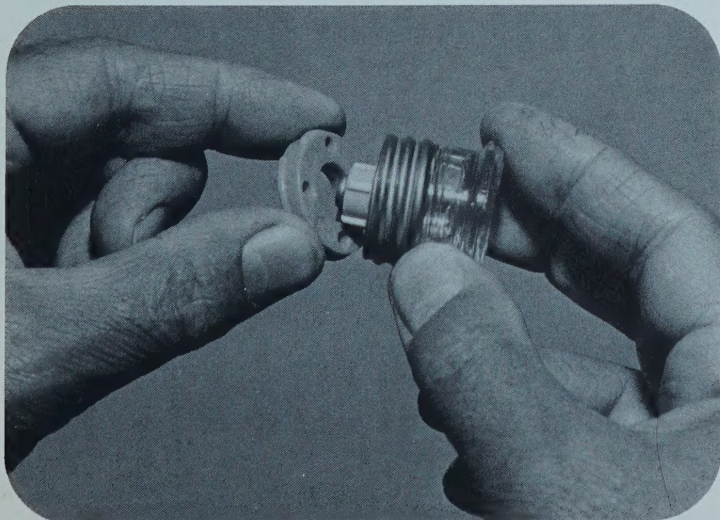
The Terminal 300 high speed teleprinter continued to be marketed and serviced through the major Canadian telephone companies, while demand was also high for the new video cable amplifier and data demodulation units.

The Company also supplied the telecine film camera equipment included in the CBC 'Place de Radio Canada' installation now nearing completion.

An important contract was received by Lighting Equipment during the year from Petrofina Canada Limited. This was for fluorescent lamp pump island luminaires to be installed in its many service stations in eastern Canada. Also ordered for Fina stations were Super Spaceglow area-lighting installations.

A new non-interchangeable Type C plug fuse was

The new Type C plug fuse, a CGE development, has a non-interchangeable feature that prevents overfusing of electrical circuits in the home.



The KANUPP nuclear power generating station near Karachi in West Pakistan reached criticality in 1971. Upper picture: Prime Minister Trudeau signs the guest book during visit.

engineered and developed at the Toronto Ward Street plant. This will eliminate 50% of all electrical fires, it is estimated. Making it impossible for the homeowner to unknowingly overfuse a wiring circuit, the new fuse design was approved in 1971 by the Canadian Standards Association, and accepted as the national standard for new installations.

The conversion of Information Services Mark II Service into a world-wide network was indicative of future CGE developments in this field. It has enabled offices in Canada, the U.S., Mexico and Europe to share the same computer programs and have access to common files. Revenues from this new computer time-sharing service grew at a healthy rate despite intense competition. More than one-third of the 100 largest manufacturing, resource and utility companies in Canada are now regular users of one or more of the Job Entry or Time-Sharing services offered by Information Services.

Consumer Products Business Division

The year saw a steady acceleration in sales of consumer products with all product lines showing significant gains over the previous year. During the year, the Company continued its strong emphasis on implementing programs which are designed to give increasingly better values to consumers. **In the field of major appliances**, the 'no annual model change' policy introduced in 1970 was reinforced by the elimination of suggested list prices, and active support of a Truth in Advertising campaign. The industry's first consumer buying guide was also announced by the Company, to ensure that factual information about CGE products is made available to consumers before the time of purchase.

Major new product introductions included larger capacity automatic laundry equipment to handle the increased complexity of permanent press fabrics; larger capacity self-cleaning ovens for increased cooking convenience; and small

Housewares introductions included three upright vacuum cleaners and two new canister models.



laundry equipment designed for apartment dwellers.

The first transistorized television set to improve reliability in the home was also introduced, featuring a 20-inch picture tube and 100% solid state chassis.

The Company strengthened its leadership in the electric housewares industry with the addition of a number of new products. These included three new upright vacuum cleaners, two new canister cleaners, a combination ice crusher/can opener, mist hair setter, dual-motion toothbrush, and a hair dryer with styling accessories.

Of particular interest was the introduction of a new modular toaster following three years in development. The new toaster consumes less power, toasts bread faster and more evenly, and is available to the consumer at a lower price than any toaster offered by the Company in recent years.

Another important innovation was the addition of a new humidifier with patented water dispersal system. This new humidifier costs less, is extremely reliable, and offers the same moisture output as higher-priced humidifiers. This development enabled the Company to double its share of the humidifier business during the year.

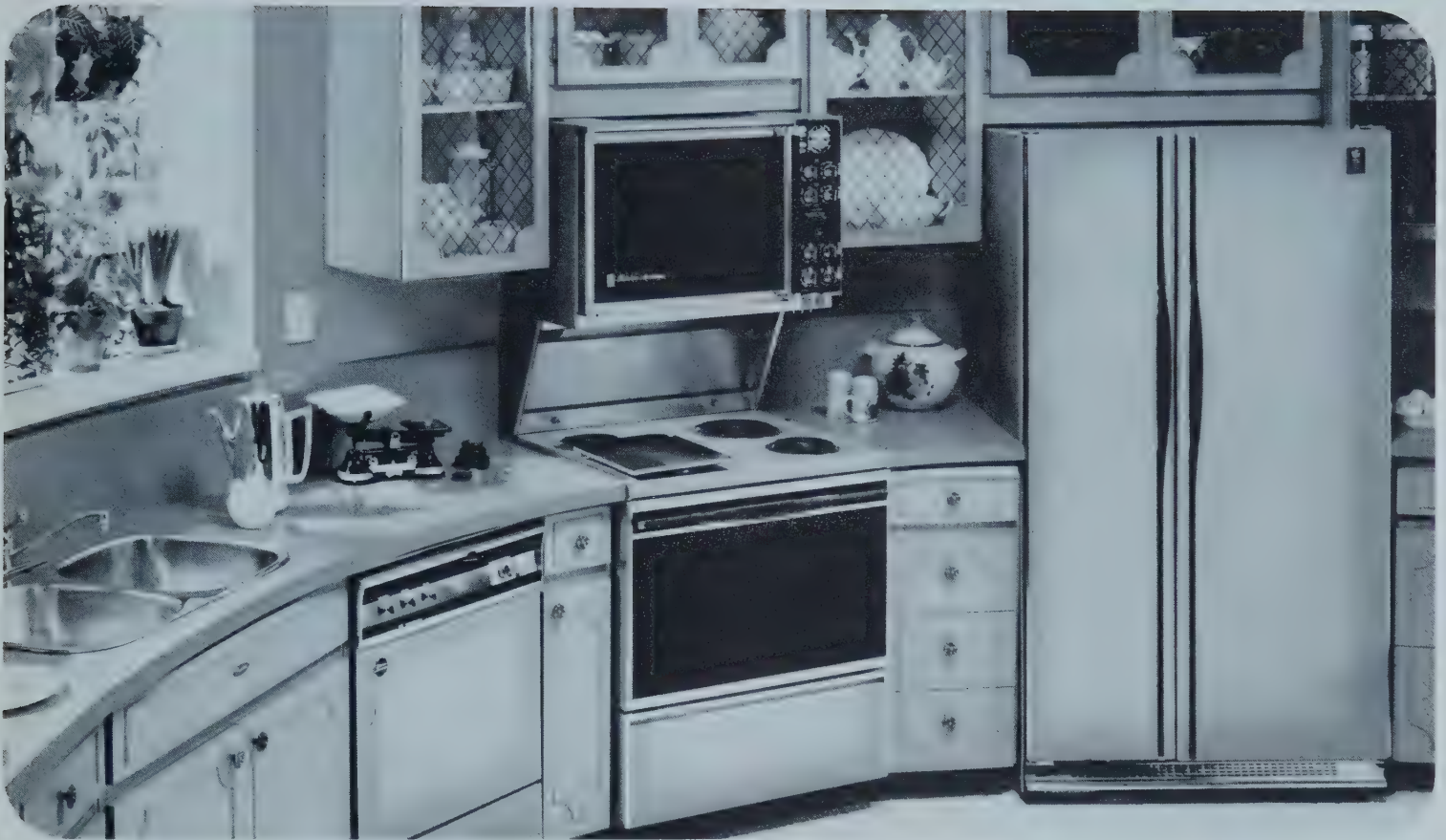
New lamp developments for the home included the introduction of a complete line of "CGE Home Fluorescent". These lamps are long-life, high-efficiency light sources and feature the incandescent-like Deluxe Warm White phosphor. Also introduced were "Hi Power" flashcubes for use with focussed flash cameras, and the cooler operating Quartz line projector lamp designed for carousel-type projectors.

A \$3 million expansion of high-speed equipment to manufacture lamps was announced during 1971. This expansion will substantially increase the Company's capability to serve the expanding lamp market, and has important quality and cost improvement benefits.

The world's first large installation of 1000 watt Lucalox lamps (250 units) was made on a Calgary highway. In addition, the Company won the largest contract of its kind to date, for over 100,000 of the new "U" shaped Moduline Fluorescent lamps, which are to be used in a building to provide heat for all-electric "space conditioning".

Over 200 CGE Consumer Products Service people, equipped with radio-controlled trucks, make direct service available to some 75% of all Canadian homes. They are supported by outstanding shop service facilities which provide repairs for portable appliances and home entertainment products in 20 service locations in Canada's principal population centres.

A comprehensive "Win with Quality" program brought special focus to all employees throughout the year on the increasing importance of the need for high quality standards of product performance on all products which bear the Company's trade mark.



The introduction of larger capacity self-cleaning ovens exemplifies many improvements in features of kitchen and laundry appliances under the Company's 'no annual model change' policy.



This 20-inch black and white model is the first transistorized television set offered by the Company.



The new Home Fluorescent lamp line offers five popular lamp types in four different lengths, and ratings from 15 to 40 watts.

1971 Financial Summary

The comments in this financial summary relate to significant items appearing in the financial statements on the following pages of this report.

The consolidated financial statements and accompanying schedules in this report include a consolidation of accounts of the parent—Canadian General Electric Company Limited—and those of all subsidiary companies (except sales finance subsidiaries whose operations are not similar to those of the consolidated group). All inter-Company items have been eliminated. Amounts in foreign currencies are translated at current rates.

Sales of products and services as reported, are net of trade discounts, excise and sales taxes, and returns and allowances. Sales are reported only as the title to products and materials passes to the customer or as services are performed. In 1971, sales reached a record level of \$495.8 million compared with the prior year volume of \$490.0 million.

Sales attributable to each of the Company's major classes of business are summarized on page 2.

Sales to export markets, directly or indirectly, amounted to \$58.5 million in 1971 compared with \$62.6 million in 1970.

Income from investments, which includes income from marketable securities, other investments and non-consolidated sales finance subsidiaries, amounted to \$506 thousand in 1971 compared with \$611 thousand in 1970. Income from nonconsolidated sales finance subsidiaries totalled \$269 thousand in 1971 compared with \$65 thousand in 1970.

Other income amounted to \$2.0 million in 1971 compared with \$2.2 million in 1970 and consisted mainly of revenues from customer financing, royalty agreements and other technical agreements.

Employee compensation including the Company cost of employee benefits amounted to \$168.7 million in 1971 compared with \$169.0 million in 1970. The number of employees for the year averaged 17,950, down from the previous year's average of 19,789. Included in the 1971 compensation is \$22 thousand representing direct remuneration to 17 directors for their services on the Board during the year, and \$1.2 million which was paid to 23 officers, five of whom were also directors.

Substantially all employees of the Company who completed one year of service are participating in the Canadian General Electric Pension Plan, the obligations of which are funded through the Canadian General Electric Pension Trust which has assets in excess of \$110.0 million. Investments of the Trust are carried at cost plus unrealized appreciation recognized (\$2.4 million). Two of the Company's subsidiaries maintain their own separate pension plans for their employees.

Materials, supplies, services and other costs include cost of goods sold and all selling, general and administrative expenses. These costs totalled \$286.2 million in 1971 compared with \$279.3 million in 1970.

Depreciation amounted to \$12.6 million in 1971 compared with \$13.4 million in 1970. A diminishing balance depreciation method, based principally on income tax capital cost allowance rates, is normally used to depreciate assets other than the heavy water plant. Depreciation of the heavy water plant is based on volume of production.

Taxes, except those on income, amounted to \$4.9 million in 1971 and include municipal and provincial property, business, school and capital taxes.

Interest and other financial charges decreased to \$1.5 million in 1971 from \$4.3 million last year. Interest on long-term borrowings amounted to \$408 thousand compared with \$1.3 million in 1970.

Provision for income taxes, amounting to \$9.9 million in 1971 compared with \$9.5 million in 1970, was based on income and costs included in the current earnings statement shown on the opposite page. The provision included \$4.5 million representing amounts payable as determined by applicable acts and government regulations and \$5.4 million for taxes on income recorded in 1971 following good accounting practices but which are not payable in 1971. This latter amount is being deferred to be offset against the provisions in subsequent years when the amounts payable exceed the amounts determined following good accounting practices.

Net earnings amounted to \$14.5 million in 1971 compared with prior year earnings of \$12.2 million. Earnings per share, assuming conversion of all convertible preferred shares, were \$1.77 in 1971 compared with \$1.49 per share in 1970. After providing for dividends on the preferred shares, net earnings per common share were \$1.81 for 1971 and \$1.51 for 1970.

(Continued on page 14)

Active consolidated subsidiaries

Amalgamated Electric Corporation, Limited
Cowley Electronic Services (1961) Ltd.
Dominion Engineering Works, Limited
Dominion Engineering Company Limited
Montreal Armature Works Limited
W. L. Stevens Ltd.

Consolidated statement of current and retained earnings

	For the year	1971	1970
			(In thousands)
Income			
Sales of products and services		\$495 755	\$489 992
Income from investments		506	611
Other income		<u>2 002</u>	<u>2 221</u>
		<u>498 263</u>	<u>492 824</u>
Costs			
Employee compensation, including benefits		168 657	168 969
Materials, supplies, services and other costs		286 213	279 305
Depreciation		12 615	13 375
Taxes, except those on income		4 942	5 099
Interest and other financial charges		1 477	4 326
Provision for income taxes		<u>9 903</u>	<u>9 541</u>
		<u>483 807</u>	<u>480 615</u>
Net earnings		<u>14 456</u>	<u>12 209</u>
Dividends declared			
Common stock		7 559	7 559
Cumulative convertible preferred stock		775	775
Special employees' preferred stock		<u>13</u>	<u>16</u>
		<u>8 347</u>	<u>8 350</u>
Amount added to retained earnings		6 109	3 859
Retained earnings at January 1		<u>180 597</u>	<u>176 738</u>
Retained earnings at December 31		<u>\$186 706</u>	<u>\$180 597</u>

Cash and marketable securities totalled \$6.3 million at the end of 1971 compared with \$6.6 million a year earlier. Marketable securities are carried at the lower of amortized cost and market value. Carrying value was substantially the same as market value.

Receivables, less allowances for doubtful accounts, totalled \$94.0 million at the end of 1971 compared with \$102.2 million at the end of 1970. The amounts owing by affiliated companies included in these totals were \$3.0 million at the end of 1971 and \$8.0 million at the end of the previous year. Long-term receivables are reported in other assets.

Inventories are carried at the lower of cost (exclusive of inter-company profit) and net realizable value. At the end of 1971, inventories totalled \$130.6 million compared with \$134.9 million at the end of 1970. Of these totals, finished goods inventories amounted to \$44.4 million and \$48.0 million, respectively.

Deferred income taxes included in current assets aggregating \$10.1 million at the end of 1971 and \$9.6 million at the end of 1970 result from recording net costs relating to current liabilities in advance of their being deductible on tax returns. This amount will be included in the provisions for income taxes in the years when the costs are permitted by government regulations to be deducted in arriving at taxable income.

Long-term investments which amounted to \$2.5 million at the end of 1971 are detailed in the table on the right. Investment in sales finance subsidiaries included reinvested earnings of \$461 thousand, an increase of \$269 thousand during 1971.

Plant and equipment represents the original cost of land, buildings, equipment and equipment leased to others, less accumulated depreciation. Details of plant and equipment and accumulated depreciation are shown in the table on the right. At December 31, 1971, approved future expenditures for plant and equipment approximated \$6.2 million, of which \$5.3 million is expected to be spent in 1972.

Other assets totalled \$19.5 million at the end of 1971 compared with \$7.7 million at the end of 1970. The summary to the right sets out the principal items. The increase was mainly for deferred research and development expenses applicable to a specific contract for construction of a high voltage direct current terminal.

Short-term borrowings, those due within one year, decreased to \$12.4 million at the end of 1971 from \$31.9 million at the end of the previous year. Bank loans included in the above amounts were \$6.9 million at the end of 1971 compared with \$1.2 million at the end of 1970.

Accounts payable, consisting principally of amounts owing for materials and services supplied by others, amounted to \$40.0 million at December 31, 1971 compared with \$29.1 million at the end of the preceding year. The amount owing to affiliated companies included in the above was \$19.6 million at the end of 1971 compared with \$10.3 million at the end of 1970.

(Continued on page 16)

Long-term investments	1971	1970
(In thousands)		
Investment in sales finance subsidiaries. . .	\$ 1 461	\$ 1 192
All other.	<u>1 000</u>	<u>1 015</u>
	<u>\$ 2 461</u>	<u>\$ 2 207</u>
Plant and equipment	1971	1970
(In thousands)		
Changes during the year:		
Cost at January 1.	\$289 248	\$293 476
Additions to first cost.	16 712	18 320
Dispositions and retirements from first cost	(6 270)	(22 548)
Cost at December 31.	<u>\$299 690</u>	<u>\$289 248</u>
Major classes at December 31:		
Land and improvements.	\$ 4 431	\$ 4 408
Buildings and structures.	77 016	75 763
Machinery and equipment.	217 989	208 808
Leasehold improvements.	<u>254</u>	<u>269</u>
Balance, December 31.	<u>299 690</u>	<u>289 248</u>
Accumulated depreciation at December 31:		
Buildings and structures.	43 529	41 694
Machinery and equipment.	106 024	100 724
Leasehold improvements.	<u>111</u>	<u>151</u>
Balance, December 31.	<u>149 664</u>	<u>142 569</u>
Undepreciated cost at December 31. . .	<u>\$150 026</u>	<u>\$146 679</u>
Other assets	1971	1970
(In thousands)		
Long-term receivables less allowance.	\$ 1 884	\$ 2 571
Securities deposited as guarantees (equal approximately to market value)..	1 416	1 358
Deferred research and development expenditures.	13 390	689
Other.	<u>2 798</u>	<u>3 039</u>
	<u>\$ 19 488</u>	<u>\$ 7 657</u>

Consolidated statement of financial position

	December 31	1971	1970
			(In thousands)
Assets			
Cash		\$ 5 011	\$ 2 760
Marketable securities		1 300	3 890
Receivables		93 960	102 175
Inventories		130 566	134 916
Deferred income taxes		10 106	9 638
Total current assets		240 943	253 379
Long-term investments		2 461	2 207
Plant and equipment—less accumulated depreciation		150 026	146 679
Other assets		19 488	7 657
Total assets		<u>\$412 918</u>	<u>\$409 922</u>
Liabilities and equity			
Short-term borrowings		\$ 12 354	\$ 31 872
Accounts payable		39 960	29 061
Progress collections and price adjustments accrued		46 444	49 085
Dividends payable		1 893	1 894
Taxes accrued		4 576	4 340
Other liabilities and expenses accrued		36 637	33 567
Total current liabilities		141 864	149 819
Long-term borrowings		2 000	3 000
Deferred income taxes		42 844	36 970
General reserve		12 300	12 300
Special employees' preferred stock		261	294
Cumulative convertible preferred stock		17 352	17 352
Common stock		9 591	9 590
Retained earnings		186 706	180 597
Total liabilities and equity		<u>\$412 918</u>	<u>\$409 922</u>

The Financial Summary beginning on page 12 and ending on page 16 is an integral part of this statement.

On behalf of the Board:

J. H. Smith, Director

W. G. Ward, Director

Progress collections and price adjustments accrued amounted to \$46.4 million at 1971 year end compared with \$49.1 million at the end of the prior year, and consisted primarily of monies collected from customers against contracts on which work was in progress.

Taxes accrued included amounts for current and prior years' income taxes and federal and provincial sales taxes. These accruals totalled \$4.6 million at 1971 year end compared with \$4.3 million at the end of 1970.

Other liabilities and expenses accrued included amounts for compensation and benefits of \$10.7 million at the end of 1971 (\$8.6 million in 1970) and for repairs and replacements under guarantees on Company products aggregating \$10.1 million at the end of 1971 (\$8.8 million in 1970). The remaining costs and expenses accrued included amounts withheld from employee compensation for subsequent payment to the government and others, estimated liabilities for utility costs, and transportation expenses.

Long-term borrowings, amounting to \$2.0 million at December 31, 1971 compared with \$3.0 million at the end of 1970, consisted of notes payable in 1973.

Deferred income taxes payable aggregated \$42.8 million at December 31, 1971, an increase of \$5.9 million during the year. The amounts represented the income tax deferral resulting from recording costs related to noncurrent assets later than they are deductible on tax returns. This amount will be offset against the provisions in future years when the amounts payable exceed the amounts determined following good accounting practices.

Special employees' preferred stock with a par value of \$50 per share (callable at par), totalled 5,227 shares issued and outstanding at December 31, 1971. There are 18,000 shares authorized. During the year, the Company redeemed 646 shares. Under the provisions of Section 62 of the Canada Corporations Act, \$639 thousand of the retained earnings is classified as capital surplus arising from the redemption of 12,773 special employees' preferred shares, pending formal reduction of capital.

Cumulative convertible preferred stock with a par value of \$28 per share and an annual preferred dividend rate of \$1.25 per share, totalled 619,702 shares issued and outstanding at December 31, 1971. There are 625,000 shares of this type authorized. During 1971, shareholders converted six of these shares to common shares.

Common stock with no par value, totalled 7,559,098 shares issued and outstanding at December 31, 1971 compared with 7,559,092 common shares outstanding at December 31, 1970. There are 8,178,800 shares authorized.

Contingent liabilities of the Company included guarantees of certain bank loans amounting to \$4.7 million and notes payable by a sales finance subsidiary

amounting to \$8.3 million. Other contingent liabilities consisting of other guarantees, letters of credit, pending litigations and other claims, are not material in relation to the financial position of the Company.

The source and application of funds statement shows a decrease in working capital of \$4.5 million during the current year from \$103.6 million at the end of 1970 to \$99.1 million at the end of 1971.

Auditors' report

To the Shareholders of Canadian General Electric Company Limited:

We have examined the consolidated statement of financial position of Canadian General Electric Company Limited and consolidated subsidiaries as of December 31, 1971 and the consolidated statements of current and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company and consolidated subsidiaries at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Pest, Marwick, Mitchell & Co.

Chartered Accountants

Toronto, Canada

February 2, 1972

Consolidated statement of source and application of funds

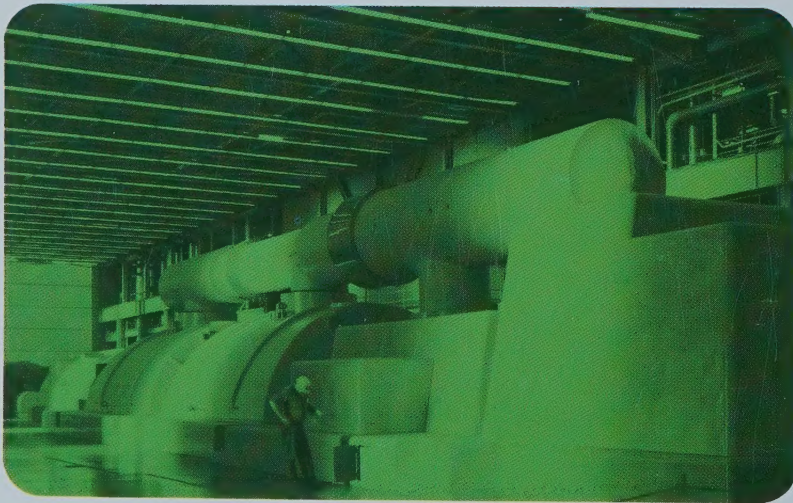
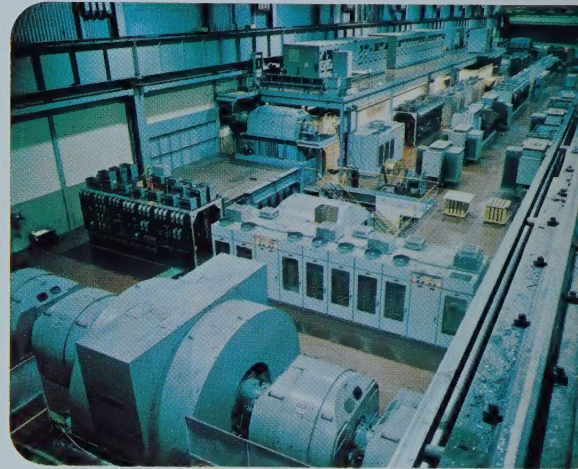
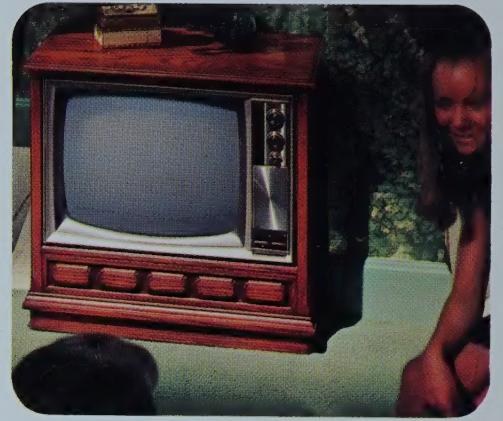
	For the year	1971	1970
			(In thousands)
Source of funds			
Current operations			
Net earnings		\$ 14 456	\$ 12 209
Depreciation		12 615	13 375
Deferred income taxes		5 874	6 408
		<u>32 945</u>	<u>31 992</u>
Sale of plant and equipment		751	9 032
		<u>33 696</u>	<u>41 024</u>
 Application of funds			
Increase (decrease) in long-term investments		254	(1 445)
Additions to plant and equipment		16 712	18 320
Reduction of long-term borrowings		1 000	6 900
Redemption of special employees' preferred stock		33	75
Dividends paid		8 347	8 350
Increase in other assets		11 831	384
		<u>38 177</u>	<u>32 584</u>
Increase (decrease) in working capital		(4 481)	8 440
Working capital at beginning of year		<u>103 560</u>	<u>95 120</u>
 Working capital at end of year		<u>\$ 99 079</u>	<u>\$103 560</u>

Ten year summary (Dollar amounts in thousands; per-share amounts in dollars)

	1971	1970	1969
Sales of products and services	\$495 755	\$489 992	\$492 341
Net earnings	14 456	12 209	15 701
Net earnings per share (a)	1.77	1.49	1.92
Earnings as percentage of sales	2.9 %	2.5%	3.2%
Cash dividends declared			
Per common share	\$1.00	\$1.00	\$1.00
Per cumulative convertible preferred share	1.25	1.25	1.25
Current assets	\$240 943	\$253 379	\$256 127
Current liabilities	141 864	149 819	161 007
Total assets	412 918	409 922	417 818
Plant and equipment additions	\$16 712	\$18 320	\$40 351
Depreciation	12 615	13 374	13 849
Total taxes (excluding taxes on sales)	14 845	14 641	17 343
Average number of employees	17 950	19 789	21 268

(a) Assuming cumulative convertible preferred shares converted to common shares.

1968	1967	1966	1965	1964	1963	1962
\$454 674	\$427 363	\$415 879	\$365 992	\$324 382	\$311 062	\$263 302
14 630	14 531	18 453	16 575	17 056	13 785	10 144
1.79	1.77	2.25	2.02	2.08	1.68	1.24
3.2%	3.4%	4.4%	4.5%	5.3%	4.4%	3.9%
\$1.00	\$1.00	\$1.00	\$1.00	\$0.625	\$0.30	\$0.30
1.25	1.25	1.25	1.25	1.25	1.25	1.25
\$241 028	\$244 962	\$233 849	\$193 132	\$205 527	\$161 623	\$147 702
132 139	128 266	120 713	89 485	101 349	69 974	65 968
381 040	354 315	319 379	271 127	274 996	231 507	216 827
\$45 349	\$36 431	\$20 988	\$20 569	\$ 9 867	\$ 5 718	\$15 772
13 382	12 583	11 001	9 166	6 918	6 370	6 435
18 168	16 735	21 853	19 606	19 916	17 740	12 438
20 866	21 749	21 066	18 905	17 139	16 231	15 194



CANADIAN GENERAL ELECTRIC